98-84350-28

Grubb, Joseph C.

Plea for a regulator of finance

[Washington]

1874

98-84350-28
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

Grubb, Joseph C
Plea for a regulator of finance; [argument before the Committee on currency and banking of the House of representatives, March 16,1874] [Washington, Gov't Printing Office, 1874]
10 p. 21 p.

Vol. of pamphlets.

Only ed

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 2/28/98 INITIALS: F.C.

TRACKING # : 31736

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

PLEA FOR A REGULATOR OF FINANCE.

1874

A PLEA FOR A REGULATOR OF FINANCE.

WASHINGTON, *March* 16, 1874.

MR. JOSEPH C. GRUBB, of Philadelphia, having appeared before the Committee on Currency and Banking ot the House of Representatives, made the following argument:

MR. CHAIRMAN AND GENTLEMEN: In the half hour of your time that I shall occupy, I ask your indulgent courtesy, for I feel only too well that I am unequal to the occasion. My theme is confidence—well-placed confidence, confidence as the main element of modern civilization. The argument—the honor of the nation—its pledged word. I am to plead for an unimpeached integrity of the orphans' portion and the widows' mite; an unshortened reward for labor, sweat and toil. I am to beckon you back from the precipice's edge to the ancient ways, to remind you that there is a pregnant moment in the life of republics, when despotism is welcomed as repose.

A consideration of the method by which the promises of the General Government and of the National Banks funded and payable to bearer on demand can be brought to and maintained at par with coin or its equivalent may safely be confined at the present time to an exhibit of the figures that will indicate the means, fortified by a few of the clear and evident reasons for its necessity.

A candid examination will disclose the fact that the highest financial prosperity has been secured only by uniting the public capital with private fortunes, and then entrusting it to the skill and vigilance of private interest clothed with the supreme authority. Fifty years of such management at the outset of the Government placed the United States on an equality with the chief commer-

cial nations of the world. This continued until the close of the year 1833. A separation then of the General Government from the National Bank, the removal of the public deposits to State Banks, the adoption of the Independent Treasury, the succession of State Bank failures, of financial panics and commercial embarrassments, consequent upon such a state of things, is a part of the history of the past and need not now be repeated.

Trade interests and the National Treasury after that year were never in harmony and often in collision Such was the state of affairs at the commencement of the civil war in 1861.

Passing the intervening time, we encounter the conditions which must be considered now in any plan of restoration. These are contained in the Treasury statement of March 1, 1874, and in the report of the National Banks, Friday, December 26, 1873. They consist of the following, using approximate round sums:

	Millions.
National debt, principal and interest, payable in coin	1,720
Annual coin interest	110
The demand debt bearing no interest:	
In legal tenders	382
In fractional currency	48
Retired legal tenders in the Treasury	18
National Bank notes	341
Paper currency in the U. S. Treasury	55
U. S. bonds to secure bank circulation	390
Other U. S. bonds held by the banks	23
Annual coin interest on these two items	25
Coin in the U. S. Treasury	45
Other coin in the Treasury	40
Coin in the National Banks	27
Coin in California	25
All elsewhere	18
Legal tender and fractional currency held by the banks	108
National Bank notes held by the banks	22
Internal Revenue:	
Currency receipts for current year	188
Coin receipts from customs for current year	120

These are the rudiments, the unshaped ingredients, that will be incorporated into any plan of restoration. If we will but accept the situation, the road is plain—it is the beaten track. We have only to retrace our steps

With the single exception of the default in the circulation and proportions of the sums to be handled, matters stand precisely as in 1833. The present banks are correspondent to the National Bank of that period. They hold their charters. The stock is taken. Wise legislation has enacted the transition from a State bank circulation, unequal and unsafe to one uniform and national.

If resumption of coin payments is to be the only aim at this time, then a corporate body, the legal proportions of which would be to have succession for a term of seven years, charged with this special duty, and with the care and preparation of such measures as will accomplish the work, would, it may be affirmed, be a remedy certain and perfect. The experience of every civilized commercial nation has proved it.

To whom, then, may this power be delegated? Certainly to the parties in interest—the National Treasury, the National Banks, and trade interests. Three representing the business of the country, three the banks, the Chairman of the Committee on Finance of the Senate, and of the Ways and Means of the House of Representatives, for the time being, and the Secretary of the Treasury, would be a suitable body. There need be no salaried offices to fill, as the clerical force could be drawn from the Treasury and the banks. The mint, or the Treasury, might be its location.

Few instances are recorded of any people returning voluntarily from the uses of irredeemable paper to sound currency, and then only by the one road—surplus income, national and private. All that legislation can safely do is to turn to the best account, and to convert to a useful purpose, that which might otherwise be locked up unprofitably. Legal compulsion should not be resorted to. Theory and the schools can give no help.

These premises allowed, the remedies can readily be prescribed. Perfect credit, *solvency*, is enwrapped in the two first items, namely, in that part of the funded debt payable in coin, and the promises payable in paper, on demand. *Both alike are defaults.* A promise to pay gold by the general government is not a pledge of credit; it is a contract by a defaulting debtor, stipulating to deliver coin, now lifted out from a true system of finance, and it is doubtful if it is a prerogative of the Government thus to bind itself to deliver, at a future period, a production, which it is no part of its business to develope, and over which it can have no control, except by arbitrary enactment.

The bank notes *have* a certain quality, that will assimilate with a reformed system, as there is a material commodity behind them, whilst the legal tenders being injected from without, are simply an evidence of indebtedness for property bought and consumed, but not paid for.

As shown, there is currency in paper:

	Millions.
Of Legal Tender notes	400
National Bank notes	341
Fractional Currency	48
Currency in paper	789

The banks now hold in Legal Tender and Fractional Currency	108	
Paper Currency in the United States Treasury	55	
The banks hold of their own notes	22	
Balance of retired Legal Tenders	18	
		203
There is Coin in the Treasury	45	
Other Coin in the Treasury	40	
Coin in the National banks	27	
To fund the bonds held by the banks into a currency loan will give	25	
		137

A certain sum may surely be relied on, that in no event would become a disturbing element. Assuming this to

embrace the largest portion of the fractional currency, and in addition, an equal amount, say eighty millions in all, we may proceed. Merging now the Treasury statement with the bank exhibit, thus joining the public capital to private fortunes, there is in paper currency, as seen,

		Millions.
		789
To the credit of the Treasury and banks:		
In currency	203	
In coin resources	137	
An estimated sum	80	
		420
Leaving a default of		369

There yet remains of gold in reserve:

	Millions.
In California	25
All elsewhere	18
Yearly product of mines	60
	103

	Millions.
The annual coin interest is now reduced to	78
The funded debt payable in gold is reduced to	1,317

The parties in interest by their chosen agents, a corporate body, composed of men of calm judgment—such men can be found, who will manage business only with reference to reputation and sound principles—may now assume control. Here is where we left off forty years ago. The experience of other nations has shown that such a head meets best the demands of modern civilization, and we must come back to it sooner or later. Law has its court of last resort—finance, without such an authority, is nothing less than lynch law.

It may be inferred that such a management at the out-

set would agree upon limited fiscal terms. The first of these might close with the year ending December 31, 1875.

	Millions.
The currency receipts of the government for the intervening twenty-one months would be	315
Coin receipts from customs	210
Income	525
There is currency yet in default	369
Leaving resources in excess	156
And a reserve remaining:	
Of Coin in California and elsewhere.	43
Of coin production for twenty-one months	105
Gold in reserve	148

There is still a debt of 1,317 millions payable principal and interest in coin. This, in view of approaching solvency, could, no doubt, with the 413 millions held by the banks, be funded into a currency loan similar to the Pacific sixes.

All that now remains are questions solely of good book-keeping, and of living within our means; of spending less than we earn. The details would vary with the times and conditions. Foreign balances would now be settled with gold gathered into and distributed from a common hoard, instead of being carted from the mines to the ship's side. We would then know what amount we could pay for. In a word, under a comprehensive management, the gold we have, and home-grown gold, and the contributions of commerce and trade. can smelt the public capital and private fortunes now saturated with alloy and distrust into an unquestioned credit; and this is the key with which to solve the problem.

The proposition to fund the legal tenders is inadmissible, the superstructure equally with the promise itself

must be cared for. An inexportable currency is credit in its most vicious form. Trade will be carried on at all hazards and at all times. To appreciate the legal tenders to par that we may pay the bank circulation with them, is an effort to compromise at fifty cents on the dollar; it is the structure, not the separate props that must be treated. An interest-bearing bond, interchangeable with irredeemable currency, would be utter rottenness and only evil continually.

It is quite time that we had learned that the inter-dependence of nations is not optional, but that it is a law of nature. The world, with its arctic, temperate, torrid zones, its varied soils and productions; its iron and coal beds lying in one zone, its cotton growing only in another; the world, as it is, is so framed as to *compel* the nations of different races to weave the web of intercourse more and more as they advance in civilization; to inter-tangle the threads of their national prosperity into an international skein. Clearly this is not merely human contrivance or human law; and thus it is that the solvent dollar of credit becomes a beneficent and a providential fact, and that it is a divine decree.

The men of our time, who are led most by attentive observation, see but one result. If the catastrophe is to be avoided, it will be by the exercise of an authority that shall bestow upon its contemporaries not what they shall praise, but what they shall need. The willingness of the people to atone for a grave error of the government in the past may be relied on. If these conclusions, then, are correct, the selection of three persons representing the National Banks, three the business interests of the country, the Chairman of the Finance Committee of the Senate, and of the Ways and Means of the House of Representatives, would doubtless be a suitable body to present to Congress terms for an adjustment, as the initial proceeding, by which the national circulation in paper may be brought to and maintained at the specie standard. Surplus revenue in

the time named, seven years, will, I have not a doubt, extinguish the default.

In a word, the remedy would be applied to individuals in the same condition, and it is of individuals aggregated we are treating. The result is attained by a transposition of underpinning—the coin being taken from what does not require it, the funded debt, to support that which draws continuous life only from it.

Gentlemen of the Committee, it may be said of the business interests of the country, that every face is turned toward Washington. We ask you to meet our gaze. We ask that you will make our national dollar an honest dollar, that it may always tell the truth. Here, at the source of power, I may be permitted to say that forty years of careful disciplined thought has convinced me that some such adjustment as is now presented would be accepted as satisfactory, and that it is the one controlling need of the times. Gentlemen, we ask that in our ventures even to the uttermost parts of the earth our national dollar may accompany the national flag. As it is, it is scouted from the avenues of trade, in every foreign market, as unfinished and sent before its time, whilst itself, at home, the implement of binding, is the chief violator of the sanctity of all contracts.

The plan proposed builds up nothing new; it accepts that only which already exists, and supplies a missing link. It offers to do the work in the shortest time, and at the smallest expense; and it further commends itself from the fact that it will be at the common cost.

This is not the proper time to discuss that other most important question inseparable from a complete system of national finance, and without which there can be no full settlement—free trade absolutely, between the lender and the borrower and the entire repeal of all laws imposing restrictions and penalties, thus allowing individuals, parties to the contract in any capacity, to receive and to pay such rates for the use of money as they shall agree upon.

Mr. Grubb suggested the following as a joint resolution for the adoption of Congress:

Whereas, Congress may properly receive from the parties in interest a statement of the terms and conditions upon which the national debt in coin, and currency in paper, may be brought to and maintained at a uniform standard, therefore—

Be it resolved, That three persons from the business interests, three authorized by the associated National Banks, the Chairman of the Committee of Finance of the Senate and of the Ways and Means of the House, with the Secretary of the Treasury, would be a proper body to present such plan of adjustment.

President Grant, in his message of 1873, says:

"The exact medium is specie. To hold what we have, and to appreciate our currency to that standard, is the problem deserving the most serious attention of Congress. Could but one half the gold extracted from the mines be retained at home, the advance toward specie payment would be rapid. My judgment is, we never can have permanent prosperity until a specie basis is reached. Without this, national as well as individual bankruptcy must ensue. A specie basis cannot be reached and maintained until our exports, exclusive of coin, shall pay our imports and our interest and other obligations due abroad, or so nearly as to leave an appreciable accumulation of the precious metals in the country."

The report of the Comptroller of the Treasury, for 1871, says:

"A candid investigation develops the fact that there is no branch of the fiscal service adequate to the issue and care of such a currency as the country requires. The Treasury system is so little in harmony with the interests and wants of trade, that its operations are regarded by business men as constituting a powerful and very uncertain element, difficult to estimate in their transactions. The Government circulation cannot be made convertible without first making a radical change in the National

Treasury, by which it shall be converted into an institution calculated to perform the functions of a bank."

Hon. E. G. Spaulding, himself the author of legal tender law, has said :

"The Bank of England is a striking example of the combined power of public authority, and private influence in sustaining the credit of a Government.

"We may safely profit by this example. It is the fiscal agent of the British Government, and notwithstanding it is a bank of discount, deposit and circulation, it has thus far received and disbursed the public moneys without the loss of a dollar of the money entrusted to it. It is well known that our Government never lost any of the money deposited in the first or second banks of the United States; they were both fiscal agents of the Government. All the public money was received and disbursed by them with fidelity and usefulness to both parties. *Had such a bank been in full operation, at the commencement of the rebellion, it would probably have been unnecessary to have issued the Government greenbacks.*"

[Extract from a recent pamphlet.]

A Senator (General John A. Logan, of Illinois,) has said, "an increase of property, as a logical result, requires an increase of currency." This is not the logic of trade, for our bills payable disappear as our property increases. Bankers' expedients, checks, bills of lading and of exchange, tranfers by telegraph, are the currency of commerce. *Bank notes are used to turn the scales.* The need is for stable capital—for flexible credit—the issues of mere paper can be no substitute for that.

The *Economiste Francaise*, describing the monetary crisis in the United States, says:

"Here one may perceive how great a service may be rendered to the Government by such an intermediary as the Bank of England or the Bank of France. There is the Government always at hand to save so fragile an edifice as that of banking credit from falling to pieces. Apart from such resources the United States Government found itself face to face with the powerlessness of the banks and with all other business in a state of embarrassment."

END OF
TITLE